



**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

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Company (U 338-E) for Approval of its 2022
Rate Design Window Proposals.

A.22-12-XXX

2022 RATE DESIGN WINDOW APPLICATION OF
SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)

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Dated: **December 9, 2022**

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STATE OF CALIFORNIA**

Application of Southern California Edison
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I.

INTRODUCTION

Pursuant to Articles 1 and 2 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission or CPUC), and in accordance with Decision (D.) 22-08-001, which approved SCE's 2021 General Rate Case (GRC) Phase 2 Residential and Small Commercial Rate Design Settlement Agreement (the Settlement Agreement), Southern California Edison Company (SCE) hereby respectfully files this 2022 Rate Design Window (RDW) application to submit the results of SCE's study, in collaboration with the Small Business Utility Advocates (SBUA) and other interested parties, to assess the feasibility and customer impacts of the following potential changes to the TOU-GS-1 rate group classification:

- 1) Modify the existing 20 kilowatt (kW) monthly maximum demand for the TOU-GS-1 rate group;
- 2) Reclassify or consolidate the TOU-GS-1 and TOU-GS-2 rate groups into a single rate group; and
- 3) Migrate existing lighting load on the TOU-GS-1 rate to other applicable lighting rate schedules or a new lighting and common services rate schedule.

SCE respectfully seeks the following relief in this Application: (1) Commission approval that SCE has met its compliance obligation with respect to this study; and (2) Commission adoption of SCE's recommendations, based on this study, to maintain the existing TOU-GS-1 and TOU-GS-2 rate group definitions and for SCE to provide a proposal in its 2025 GRC Phase 2 filing for differentiated customer charges within these respective rate groups that reflect the cost of customer service at single-phase or three-phase.

SCE's filing consists of this application. It will simultaneously e-serve and make available on its website the supporting testimony (preliminarily identified as Exhibit SCE-01).

II.

SUMMARY OF SCE'S APPLICATION

A. Background on the Compliance Obligation

In SCE's 2018 GRC Phase 2 proceeding,¹ SCE and intervenor parties discussed the issue of whether the current eligibility threshold for customers taking service on Small Commercial rates, specifically the TOU-GS-1 consumer group, should increase from the existing threshold of less than 20 kW. Parties settled on this item by agreeing that SCE would conduct a study on whether its current TOU-GS-1 rate class should be expanded to include customers with monthly demands over 20 kW.² Additionally, SCE agreed to include the results of this study as part of its 2021 GRC Phase 2 application.³ This settlement agreement was adopted by the Commission in D.22-08-001.

Subsequently, SCE conducted this study and then included its results in SCE's 2021 GRC Phase 2 application.⁴ While SCE did not make any proposals in that proceeding based on this study, SCE submitted several conceptual recommendations in a theoretical framework without

¹ A.17-06-030.

² A.17-06-030, Residential and Small Commercial Rate Design Settlement, pp. 13-14.

³ *Id.*

⁴ A.20-10-012, Exhibit SCE-04, Rate Design Proposals, Appendix J.

consideration of potential implementation obstacles with the intent to obtain feedback from parties on operational feasibility and to further explore implementation constraints. SBUA reviewed SCE's study and concluded in its own testimony that the study provided strong support for consolidating the TOU-GS-1 and TOU-GS-2 customer classes.

The parties in SCE's 2021 GRC Phase 2 proceeding subsequently entered into settlement discussions on a number of issues, and, on December 16, 2021, SCE and a number of settling parties, including SBUA, filed a joint motion for adoption of the Settlement Agreement that is at issue herein and that was ultimately adopted in D.22-08-001. As part of this Settlement Agreement, SCE agreed to conduct another study, in collaboration with SBUA and other interested parties, to assess the feasibility and customer impacts of each of the following potential changes to the TOU-GS-1 classification:

- 1) Modify the existing 20kW monthly maximum demand for the TOU-GS-1 rate group;
- 2) Reclassify or consolidate the TOU-GS-1/TOU-GS-2 rate groups into a single rate group; and
- 3) Migrate existing lighting load on the TOU-GS-1 rate to other applicable lighting rate schedules or a new lighting and common services rate schedule.

The Settlement Agreement anticipated that the study would kick-off in the 2nd quarter of 2022 and that, upon completion of the study, SCE would submit a proposal by the end of 2022 in a Rate Design Window application.

B. Study Overview and Description

Beginning in June 2022, SCE engaged parties to the Settlement Agreement in a series of meetings to discuss the scope of the study, present findings, and gather feedback. These meetings were held between July and October 2022.

In the original small business threshold study submitted in the 2021 GRC Phase 2 testimony,⁵ SCE had found that small, less than 5 kW, TOU-GS-1 customers had very high load factors relative to the rest of the TOU-GS-1 rate group. SCE had also presented load shapes for customers below 5kW, which displayed a degree of inverted load profiles indicating the presence of lighting loads. Based on these past findings, SCE began this new study by further exploring this group of smaller TOU-GS-1 customers to determine whether they had a common use of electricity and whether they were most appropriately served under the TOU-GS-1 class. SCE found that the TOU-GS-1 customers with annual demands less than 5kW had North American Industrial Classification System (NAICS) codes dominated by ten specific codes. Examination of the load shapes for these NAICS codes revealed two distinct categorizations: (1) group with inverted load shapes and lower usage between the hours of 8 am and 5 pm, and (2) group with high load factor and flat usage across the day.

Recognizing that a large number of small TOU-GS-1 customers with these distinct load shapes may have implications on rates if these customers are migrated to another rate group or segregated as a separate rate group, SCE sought to determine a demand threshold that would reasonably capture customers in the unique categories of inverted loads and high load factor loads. To establish an appropriate threshold, SCE sought to maximize the number of customers from these two categories that were captured by the threshold, while also minimizing the share of customers and load from customers with typical TOU-GS-1 loads that fell under the threshold. SCE determined that the threshold should be 3kW.

For purposes of this study, SCE first considered three possible scenarios and explored the impact on rate design and bill impacts for each scenario. The scenarios are as follows:

1. Scenario 1: Combine the current TOU-GS-1 and TOU-GS-2 rate group into one rate group;

⁵ A.20-10-012, Exhibit SCE-04, Appendix J – Small Business Threshold Study.

2. Scenario 2: Partition TOU-GS-1 accounts into separate rate groups, one below 3 kW and the other 3kW to less than 20 kW; and
3. Scenario 3: Partition TOU-GS-1 below 3 kW into a separate rate group, while combining TOU-GS-1 3 kW and above and TOU-GS-2 into one rate group.

After review of these scenarios with the working group, SCE evaluated the following additional scenarios, the first two at the request of SBUA:

4. Scenario 1b: Reflect the weighted average of the TOU-GS-1 and TOU-GS-2 rate group settled customer charges in Scenario 1;
5. Scenario 3b: Reflect the weighted average of the TOU-GS-1 and TOU-GS-2 rate group settled customer charges in Scenario 3;
6. Scenario 4: Combine the current TOU-GS-1 and TOU-GS-2 rate group into one rate group but differentiate the customer charge based on customer service at single-phase or three-phase;
7. Scenario 5: Maintain the current TOU-GS-1 and TOU-GS-2 rate group definitions but differentiate the customer charge within each rate group based on customer service at single-phase or three-phase.

The impact of designed rates for each scenario was evaluated separately for three groupings of customer – (1) Current TOU-GS-1 customers with less than 3 kW demand (small TOU-GS-1), (2) Current TOU-GS-1 customers with demand 3 kW or greater (large TOU-GS-1), and (3) Current TOU-GS-2 customers. Aggregate bill impacts for each group across all scenarios are summarized in Table II-1 below. As shown, combining the current TOU-GS-1 and TOU-GS-2 rate groups, as Scenario 1 contemplates, creates large average bill impacts of 42.4% for the small TOU-GS-1 customers, while bill reductions of 9.7% would be produced for TOU-GS-2 customers. These impacts are reduced for both groups in Scenario 1b by using the weighted average of the current customer charge; however, it is still 32.8% for the small TOU-GS-1 group. Impacts of similar magnitude result for each group if the small TOU-GS-1 customers are separated into their own rate group and large TOU-GS-1 customers create a

combined rate group with TOU-GS-2 (Scenario 3). In this scenario, both large and small TOU-GS-1 customers would experience approximately a 10% bill increase on average and TOU-GS-2 customers would see approximately a 9% decrease in bills on average. Scenario 4 falls in the middle between Scenario 1 and Scenario 3. It significantly reduces the impact to the small TOU-GS-1 customers compared to Scenario 1 but not as much as Scenario 3. Scenario 5 limits the bill impacts to intra-rate group rather than inter-rate group. This results in the smallest impact to the small TOU-GS-1 customers.

Table II-1
Summary of Scenario Descriptions and Bill Impacts

Scenario No.	Customer Charge Treatment	TOU-GS-1 (< 3 kW)	TOU-GS-1 (3-20 kW)	TOU-GS-2 (21-200 kW)
Scenario 1: <u>Combine</u> current GS-1 and GS-2 into one rate group	Scaled marginal cost customer charge	↑ 42.4%	↑ 5.5%	↓ 9.7%
Scenario 1b: <u>Combine</u> current GS-1 and GS-2 into one rate group	Weighted average settled customer charge	↑ 32.8%	↑ 4.9%	↓ 8.9%
Scenario 2: <u>Partition</u> GS-1 below 3 kW (i.e., high load factor and inverted load) into separate rate group	Scaled marginal cost customer charge	↑ 9.8%	↓ 1.4%	No Change
Scenario 3: <u>Partition</u> GS-1 below 3 kW into separate rate group; <u>Combine</u> GS-1 3 kW and above and GS-2 into one rate group	Scaled marginal cost customer charge	↑ 9.8%	↑ 10.0%	↓ 8.6%
Scenario 3b: <u>Partition</u> GS-1 below 3 kW into separate rate group; <u>Combine</u> GS-1 3 kW and above and GS-2 into one rate group	Weighted average settled customer charge	N/A	↑ 9.0%	↓ 8.2%
Scenario 4: <u>Combine</u> current GS-1 and GS-2 into one rate group	Single-/three-phase customer charges (scaled MC)	↑ 22.2%	↑ 6.9%	↓ 7.9%
Scenario 5: <u>Maintain</u> separate GS-1 and GS-2 rate groups	Single-/three-phase customer charges (scaled MC)	↑ 5.1%	↓ 0.7%	↓ 0.1%

C. **SCE's Recommendations Based on the Study Results**

The study established that the customer charge drives the largest impact when either all TOU-GS-1 customers or only large TOU-GS-1 customers are combined with TOU-GS-2 customers. Due to the size of the bill impacts from changing the TOU-GS-1 and TOU-GS-2 rate group definitions, and the number of customers affected by the resultant changes to the customer charge, SCE finds that the existing TOU-GS-1 and TOU-GS-2 rate group definitions should be maintained. SCE further finds that a customer charge within the existing TOU-GS-1 and TOU-

GS-2 rate groups that is differentiated by the phase of service would more equitably recover customer costs. Some TOU-GS-2 customers with lower demands and some TOU-GS-1 customers with high load factors would benefit from differentiated customer charges within each rate of the existing small commercial rate groups. Thus, in SCE's upcoming 2025 GRC Phase 2 proceeding, SCE will explore differentiated customer charges within these respective rate groups that reflect the cost of customer service at single-phase or three-phase.

III.

STATUTORY & PROCEDURAL REQUIREMENT

A. Statutory and Other Authority – Rule 2.1

The statutory and other authority for SCE's request includes, but is not limited to, D.22-08-001, Article 2 of the Commission's Rules of Practice and Procedure, and the California Public Utilities Code Sections 451, 454, 491, 701, 702, 728, and 729.

B. Legal Name and Correspondence – Rules 2.1(a) and 2.1(b)

Pursuant to Rule 2.1 of the Commission's Rules of Practice and Procedure, the full legal name of the applicant is Southern California Edison Company (SCE). SCE is a corporation organized and existing under the laws of the State of California, and is primarily engaged in the business of generating, purchasing, transmitting, distributing and selling electric energy for light, heat, and power in portions of central and southern California as a public utility subject to the jurisdiction of the California Public Utilities Commission. SCE's properties, which are located primarily within the State of California, consist mainly of hydroelectric and thermal electric generating plants, together with transmission and distribution lines and other property necessary in connection with its business.

SCE's principal place of business is 2244 Walnut Grove Avenue, Rosemead, California, 91770; its post office address is Post Office Box 800; and its telephone number is (626) 302-1212.

SCE's attorney in this matter is William Briggs. Correspondence or communications regarding this application should be addressed to:

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C. Proposed Categorization — Rule 2.1(c)

SCE proposes to categorize this proceeding as ratesetting, as defined in Rule 1.3(g) of the Commission's Rules of Practice and Procedure.⁶

D. Need for Hearings, Issues To Be Considered, Proposed Schedule, and Relevant Safety Considerations — Rule 2.1(c)

The need for hearings in this proceeding, and the issues to be considered in such hearings, will depend in large part on the degree to which other parties contest SCE's submittal. SCE's proposed procedural schedule includes time allotted for evidentiary hearings should they be required.

In general, the issues to be considered are discussed in Section II above and in more detail in SCE's supporting testimony served concurrently with this application. As discussed therein, SCE seeks review of the results of SCE's study, in collaboration with SBUA and other interested parties, to assess the feasibility and customer impacts of potential changes to the TOU-

⁶ Rule 1.3(g) of the Commission's Rules of Practice and Procedure: "'Ratesetting proceedings' are proceedings in which the Commission sets or investigates rates for a specifically named utility (or utilities), or establishes a mechanism that in turn sets the rates for a specifically named utility (or utilities). Ratesetting proceedings include complaints that challenge the reasonableness of rates or charges, past, present, or future. Other proceedings may be categorized as ratesetting, as described in Rule 7.1(e)(2)."

GS-1 rate group classification. This study was required by the Residential and Small Commercial Rate Design Settlement Agreement adopted by the Commission in D.22-08-001 in SCE's 2021 GRC Phase 2 proceeding. SCE is seeking Commission approval that SCE has met its compliance obligation with respect to this study and Commission adoption of SCE's recommendations, based on this study.

D.16-01-017 approved an amendment to Rule 2.1(c) of the Commission's Rules of Practice and Procedure (Title 20, Division 1, of the California Code of Regulations) to require all applications to identify all relevant safety considerations implicated by the application. This application does not involve safety issues.

SCE proposes the following schedule for this proceeding:

<u>Event</u>	<u>Date</u>
SCE files Application	December 9, 2022
Protests / Responses to Application	Within 30 days of Daily Calendar notice [approximately January 9, 2023]
Reply to Protests / Responses	Within 10 days of the last day to file a protest/response [approximately January 19, 2023]
Prehearing Conference	Early February 2023
Scoping Memo Issued	Late February 2023
Cal Advocates/Intervenor Testimony Due	May 2023
Rebuttal Testimony Due	July 2023
Parties Meet and Confer per Rule 13.9	Within 10 calendar days after the submission of rebuttal testimony [approximately July 2023]
Evidentiary Hearings (if necessary)	August 2023
Concurrent Opening Briefs	September 2023
Reply Briefs	October 2023
ALJ Proposed Decision	December 2023
Comments on Proposed Decision	January 2024
Reply Comments on Proposed Decision	January 2024
Final Decision	February 2024

E. Organization and Qualification to Transact Business – Rule 2.2

In compliance with Rule 2.2,⁷ a copy of SCE's Certificate of Restated Articles of Incorporation, effective on March 2, 2006, and presently in effect, certified by the California Secretary of State, was filed with the Commission on March 14, 2006, in connection with A.06-03-020 and is by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series D Preference Stock filed with the California Secretary of State on March 7, 2011, and presently in effect, certified by the California Secretary of State, was filed with the Commission on April 1, 2011, in connection with Application No. 11-04-001, and is by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series E Preference Stock filed with the California Secretary of State on January 12, 2012, and a copy of SCE's Certificate of Increase of Authorized Shares of the Series E Preference Stock filed with the California Secretary of State on January 31, 2012, and presently in effect, certified by the California Secretary of State, were filed with the Commission on March 5, 2012, in connection with Application No. 12-03-004, and are by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series F Preference Stock filed with the California Secretary of State on May 14, 2012, and presently in effect, certified by the California Secretary of State, was filed with the Commission on June 29, 2012, in connection with Application No. 12-06-017, and is by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series G Preference Stock filed with the California Secretary of State on January 24, 2013, and presently in effect, certified by the California Secretary of State, was filed with the Commission on January 31, 2013, in connection with Application No. 13-01-016, and is by reference made a part hereof.

⁷ Rule 2.2 requires the applicant, in this case SCE, to submit a copy of its organizing documents and evidence of its qualification to transact business in California, or to refer to that documentation if previously filed with the Commission.

A copy of SCE's Certificate of Determination of Preferences of the Series H Preference Stock filed with the California Secretary of State on February 28, 2014, and presently in effect, certified by the California Secretary of State, was filed with the Commission on March 24, 2014, in connection with Application No. 14-03-013, and is by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series J Preference Stock filed with the California Secretary of State on August 19, 2015, and presently in effect, certified by the California Secretary of State, was filed with the Commission on October 2, 2015, in connection with Application No. 15-10-001, and is by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series K Preference Stock, filed with the California Secretary of State on March 2, 2016, and presently in effect, certified by the California Secretary of State, was filed with the Commission on April 1, 2016, in connection with Application No. 16-04-001, and is by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series L Preference Stock filed with the California Secretary of State on June 20, 2017, and presently in effect, certified by the California Secretary of State, was filed with the Commission on June 30, 2017, in connection with Application No. 17-06-030, and is incorporated herein by this reference.

Copies of SCE's latest Annual Report to Shareholders and Edison International's latest proxy statement sent to its stockholders has been filed with the Commission with a letter of transmittal dated March 18, 2022, pursuant to General Order Nos. 65-A and 104-A of the Commission.

F. Authority to Increase Rates – Rule 3.2

As SCE's application does not seek authority to increase rates or to implement changes that would result in increased rates, the Rule 3.2 requirements are not applicable.

G. Index of Exhibits to This Application

SCE's submission in support of this application includes the following exhibit, which is incorporated herein by reference: Exhibit SCE-01, Southern California Edison Company's Testimony in Support of its 2022 Rate Design Window Application.

H. Service List

Though the official service list has not yet been established in this new proceeding, SCE is serving this application and supporting testimony on the official service list for SCE's 2021 GRC Phase 2 proceeding, A.20-10-012.

IV.

CONCLUSION

SCE asks that the Commission approve SCE's requests as outlined in the application.

Respectfully submitted,

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/s/ William Briggs

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Dated: December 9, 2022

VERIFICATION

I, Michael Backstrom, declare and state:

I am Vice President, Regulatory Policy for Southern California Edison Company.

Pursuant to Rule 2.1 and Rule 1.11 of the Rules of Practice and Procedure of the CPUC, I am authorized to make this Verification on its behalf. I am informed and believe that the matters stated in the foregoing pleading are true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on December 6, 2022 at Rosemead, California.

/s/ Michael Backstrom

Michael Backstrom

Vice President, Regulatory Policy

Southern California Edison Company